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CURTISS WRIGHT

1968
Annual
Report

CURTISS WRIGHT 1968 Annual Report

The Annual Meeting of Stockholders will be held at 3:00 p.m., Friday, May 2, 1969 at the offices of Corporation Trust Company, 100 West Tenth Street, Wilmington, Delaware. The Notice of Meeting, Proxy Statement and Proxy, with a stamped return envelope, are being mailed to Stockholders under separate cover. Prompt return of proxies by Stockholders will be appreciated.

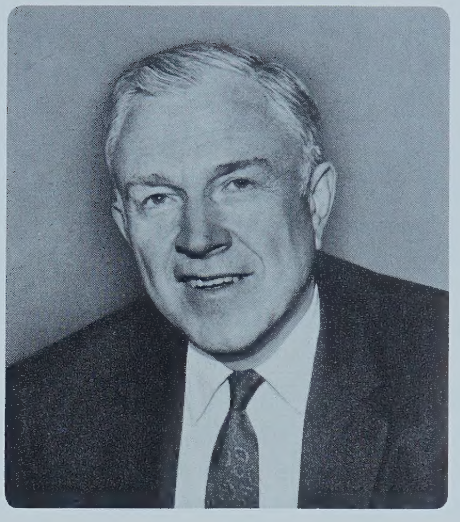
Curtiss-Wright Financial Highlights

CURTISS WRIGHT

Performance:	**1968**	**1967**
Net Sales	$200,068,388	$173,709,719
Depreciation on plant and equipment	$ 6,379,000	$ 5,235,000
Provision for federal income tax	$ 8,500,000	$ 7,705,000
Net income	$ 13,043,281	$ 11,530,965
Net income per common share before stock dividend	$1.82	$1.56
Net income per common share reflecting 25% stock dividend	$1.46	$1.25
Unshipped customers' orders on hand at year-end	$179,995,000	$164,458,000
Year-End Financial Position:		
Current assets in excess of current liabilities	$ 91,967,347	$101,029,998*
Stockholders' equity	$167,735,668	$168,771,712*
Shares of stock held by stockholders at December 31:		
$4.50 series A cumulative convertible preferred	1,000	75,100
Class A	517,745	525,245
Common	6,500,000	6,500,000
Stock dividend, January, 1969	1,625,000	
Financial Ratios and Other Data:		
Ratio of current assets to current liabilities	2.77 to 1	3.29 to 1*
Dividends paid per share:		
$4.50 series A cumulative convertible preferred	$4.50	$1.88
Class A	$2.00	$2.00
Common before stock dividend	$1.00	$1.00
Common after stock dividend	$0.80	$0.80
Number of stockholders	58,562	61,567
Number of employees	9,356	8,547
Salaries and wages paid to our employees	$ 82,975,000	$ 70,346,000

**Restated—see notes 3 and 5 to financial statement.*

To the Stockholders of Curtiss-Wright Corporation:



The continuing growth of your Company was evident in all 1968 operating results. Net sales reached a six-year high of $200,068,388, an increase of 15% over the $173,709,719 reported in 1967. Net income for 1968—$13,043,281—was up 13% from $11,530,965 in the previous year.

A 9½% increase in backlog to $179,995,000 continued the upward trend of this index for the fourth straight year, and a 4½% increase brought new orders booked by year end 1968 to $215,605,000—the highest level since 1963.

I am pleased to report to you that net income per share in 1968 represents the achievement in three years of a five-year goal set in 1965. Net income per Common share rose from $1.56 in 1967 to $1.82 which, based on the number of shares outstanding in the respective years, is exactly double the earnings of 91¢ per Common share reported in 1965, as shown in the Five Year Summary on page 20. Restated to reflect the 25% stock dividend on Common shares (declared December 11, 1968 and paid January 24, 1969) net income per Common share for 1968 was $1.46 compared with similarly restated earnings of $1.25 per Common share for 1967.

We enter 1969 with the supplemented resources, skills, and increased organizational strengths to carry forward a new five-year program initiated in 1968. In preparation for this program, your Management has committed over $50,000,000 in the past two years for plant expansion and for new technology machine tools and other equipment needed to produce for new markets we have entered or plan to enter, and to maintain and improve our position in traditional markets. In addition, we have made acquisitions, costing approximately $16,000,000, to increase our capabilities and capacities and also have acquired 55% of the Common stock of Dorr-Oliver, Incorporated, of Stamford, Conn.

Through these and other investments, your Company has put $93,000,000 to work in the business to increase our process capabilities and implement our aspirations.

Our principal areas of operation are the supply of equipment and services to the aerospace industry; the manufacture of industrial equipment and products; and the production of nuclear equipment and components. In each of these activities we have established ourselves as high-quality, reliable producers as demonstrated by the award to us in 1968 of several major new programs in the nuclear and aerospace fields. Our overall performance as a manufacturer is covered in detail under "The New Era of Growth at Curtiss-Wright" section of this report.

In anticipation of the need for further financial commitment which the expanding scope of Curtiss-Wright will require, we have entered into a seven-year $30,000,000 credit agreement with a group of banks. This credit agreement strengthens our financial sinews and provides us with flexibility in committing to new programs and in the management of our assets.

As we face the future, it is with faith in the competence of our people and in the advanced management systems we have evolved—and with the intention of emphasing growth rather than maximizing short-term earnings.

In conclusion, I would like to express my appreciation and that of your Management to our shareholders, our employees, our customers and our vendors for their cooperation in supporting the programs which produced our 1968 results.

Sincerely,

T Roland Berner

T. Roland Berner
Chairman and President
Curtiss-Wright Corporation
March 20, 1969

Curtiss-Wright Financial Review

Revenues

Net sales and other income increased to $206,-675,408 for 1968 from $178,216,482 in 1967. Sales increased 15% to 200,068,388 in 1968 from $173,709,719 reported for 1967, and were the highest since 1963 (See Chart 1).

Earnings

Net income totaled $13,043,281 for 1968, up 13% from $11,530,965 in 1967. A 16⅔% rise in net income per Common Share to $1.82 represented an increase of 26 cents per share from the $1.56 earned in 1967, before allowing for the 25% stock dividend. This is the third consecutive year of improved earnings for your Company and achieves in three years Management's five-year goal with respect to earnings improvement. (See Chart 2)

Following is a comparison of sales and earnings by quarters for 1967-68 as published:

Period	Sales (000)	Earnings Per Share
4th Q., 1968	$ 63,068	$ .51
3rd Q., 1968	45,484	.45
2nd Q., 1968	48,164	.46
1st Q., 1968	43,352	.40
Total 1968	$200,068	**$1.82**
4th Q., 1967	$ 56,101	$ .41
3rd Q., 1967	42,754	.42
2nd Q., 1967	38,991	.39
1st Q., 1967	35,864	.34
Total 1967	$173,710	$1.56

Dividends

Cash dividends declared during 1968 totaled $7,708,023 compared with $7,712,810 in the prior year. Of this amount, Common stockholders received $6,498,310; Class A holders, $1,038,488; and $4.50 Series A Preferred Stockholders, $171,225. Per-share dividends were $1.00 on Common Stock and $2.00 on the Class A shares.

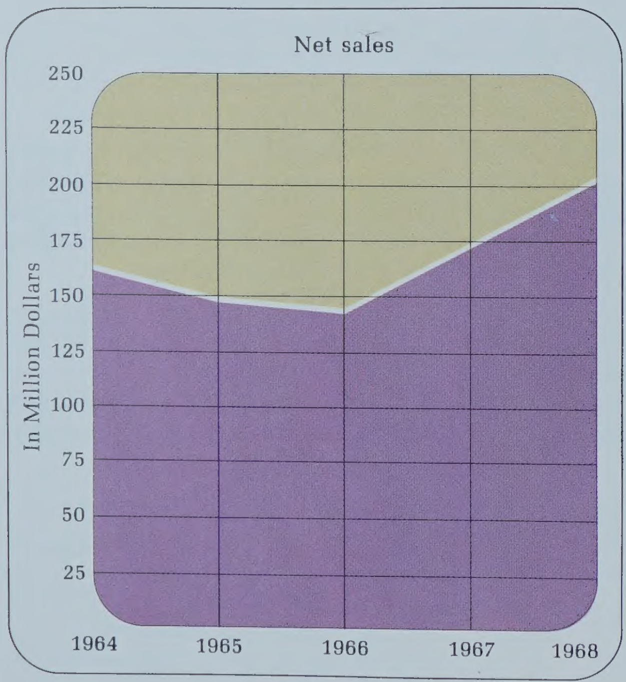


CHART 1

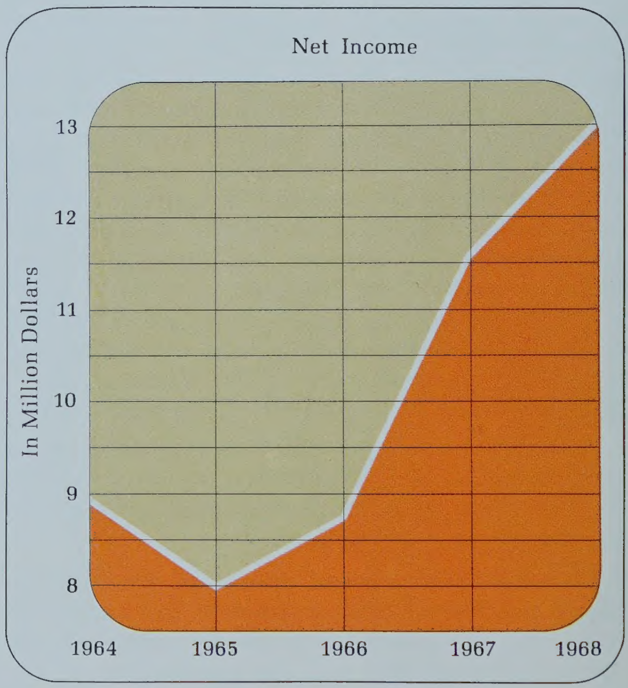


CHART 2

The Company has proposed to the Board of Directors that the 25 cent quarterly dividend on common shares be continued. Annualized, this would be the equivalent of $1.25 a share prior to payment of the stock dividend.

Payroll

Payroll, exclusive of fringe benefits, rose to $82,975,000 in 1968, an increase of $12,629,000 over 1967, due to rising labor costs and a higher employment level. Dollars of sales per employee reached $21,384 in 1968, the highest in five years, against $20,324 in 1967.

Federal Income Taxes

Higher earnings and the 10% Federal tax surcharge increased the provision for Federal income tax in 1968 to $8,500,000 from $7,705,000 in 1967. The Company followed its usual practice of flowing through investment tax credits earned. These total $940,000 in 1968, compared to $533,000 in 1967.

Backlog

Backlog reached a six year high of $179,995,000 in 1968 and continued the upward trend of this index for the fourth year in a row. This is 9½% above the $164,458,000 backlog existing at the beginning of the year. (See Chart 3)

New Orders

New orders recorded another new high in 1968, achieving the highest level in six years. A total of $215,605,000 was booked in 1968—a 4½% improvement over new orders of $206,146,000 in 1967. (See Chart 4)

Capital Authorizations

Your Company appropriated a total of $23,755,-000 in 1968 for new plant and equipment. (See Chart 5)

New Ventures

Three significant steps were taken in 1968 to strengthen your Company's competitive position

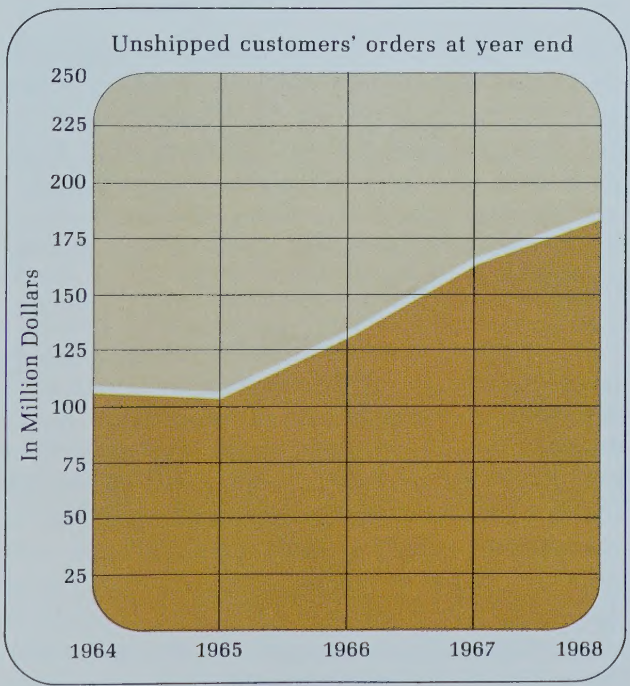


CHART 3

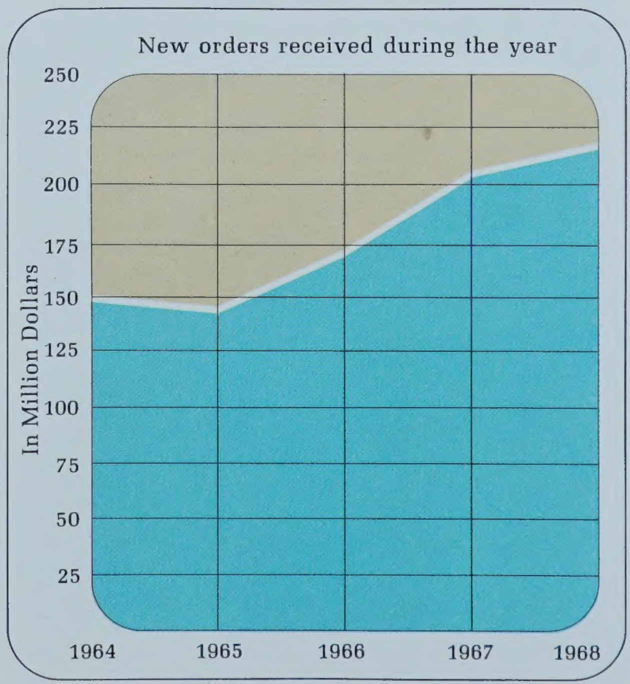


CHART 4

and increase its resources. Acquisition of the Comet Tool and Die Company enhanced the position of Curtiss-Wright in the field of profile milling by supplementing existing capabilities of the Company's previously acquired subsidiary, the Zarkin Machine Company. Purchase of Metal Improvement Company (N.J.) and its subsidiaries also broadens the Company's range of metal-working capabilities by providing shot-peening services to aerospace and industrial markets. In addition, your Company has acquired 55% of the Common stock of Dorr-Oliver Incorporated, a worldwide engineering and manufacturing concern.

Working Capital

Total current assets at the end of 1968 were $143,824,491; current liabilities stood at $51,857,144. The ratio of current assets to current liabilities was 2.8 to 1. Working capital decreased during the year 1968 by a net amount of $9,062,651. This is the result of investments in plant and equipment and the acquisition of new businesses, partly offset by the receipt of a Federal tax refund of $8,797,847, for the year 1953, which was added to the company's cash balances.

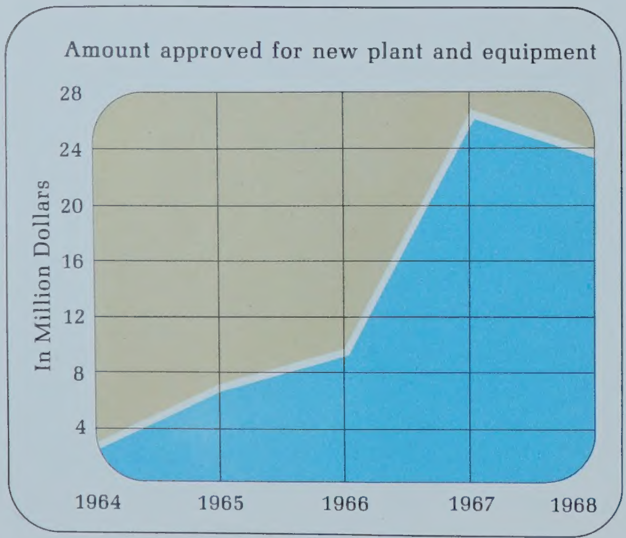


CHART 5

Capital Structure

No new common stock was issued in 1968. However, a 25% dividend on Common stock was declared on December 11, 1968, payable January 24, 1969, to stockholders of record January 3, 1969. By means of this dividend, a portion of the Company's substantial retained earnings became part of the permanent capitalization of the Company. Treasury stock acquired during 1968 included 7,500 Class A shares, increasing Treasury holding of Class A to 72,300 from 64,800. The Company also repurchased 74,100 shares of its $4.50 Series A Cumulative Convertible Preferred Stock, virtually all such stock outstanding.

Employment-Labor Relations

As of December 31, 1968, there were a total of 9,356 employees on the payroll of the Curtiss-Wright Corporation and its facilities and subsidiaries. This represents an increase of about 10% over 1967.

New contracts were signed during the year with the United Automobile Workers of America, the International Association of Machinists, AFL-CIO and the United Steel Workers—the three (3) Unions represented the majority of bargaining unit employees. The terms of the new contracts are consistent with those of the general aerospace industry.

Your Company has taken the initiative in developing affirmative programs for compliance with the spirit of Plans for Progress and the Equal Employment Opportunity goals. Curtiss-Wright has given leadership in community activities and is cooperating with community industry in government programs and neighborhood self help programs directed to alleviate minority problems. This work is being carried forward in conjunction with an intensified expanded training program for management and production employees.

The New Era of Growth at CURTISS WRIGHT

The year 1968 was a milestone year for the Curtiss-Wright Corporation. It marked the completion in three years (two years ahead of schedule) of a five-year forward plan initiated in 1965 to increase sales and earnings and to improve your Company's overall position in the industries it serves.

But more significantly, through its 1968 performance and accomplishments, Curtiss-Wright paved the way for a new era of growth . . . an era of consolidation of gains, forward movement and extension of operations into new fields.

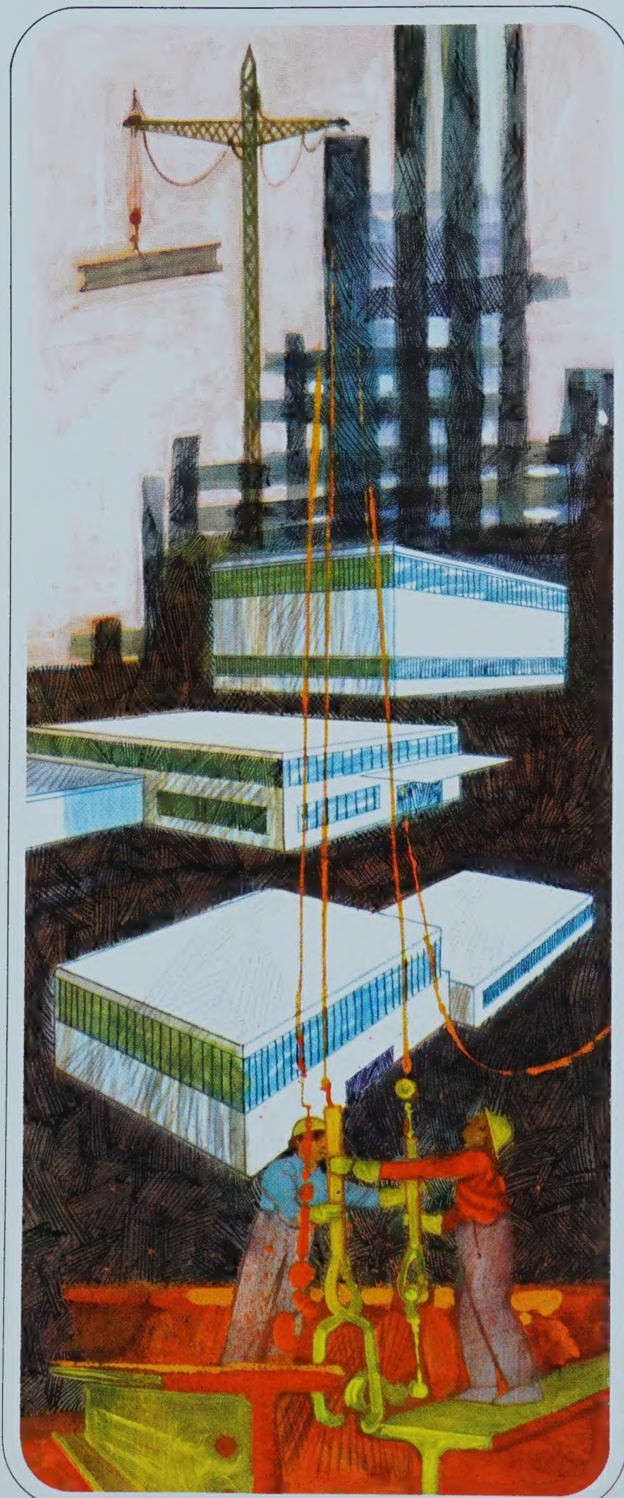
The acquisition of 55% of the Common stock of Dorr-Oliver, Incorporated, for example, has opened new avenues for Curtiss-Wright into new areas of potential growth—water management, the process industries and air cargo handling.

Curtiss-Wright enters 1969 with a customer-oriented organization re-enforced with new facilities, new capabilities and new experience.

All told, Curtiss-Wright committed approximately $66,000,000 in 1967-1968 for acquisitions (exclusive of Dorr-Oliver), plant expansion and advanced state-of-the-art productive equipment to increase efficiencies and improve competitive positions.

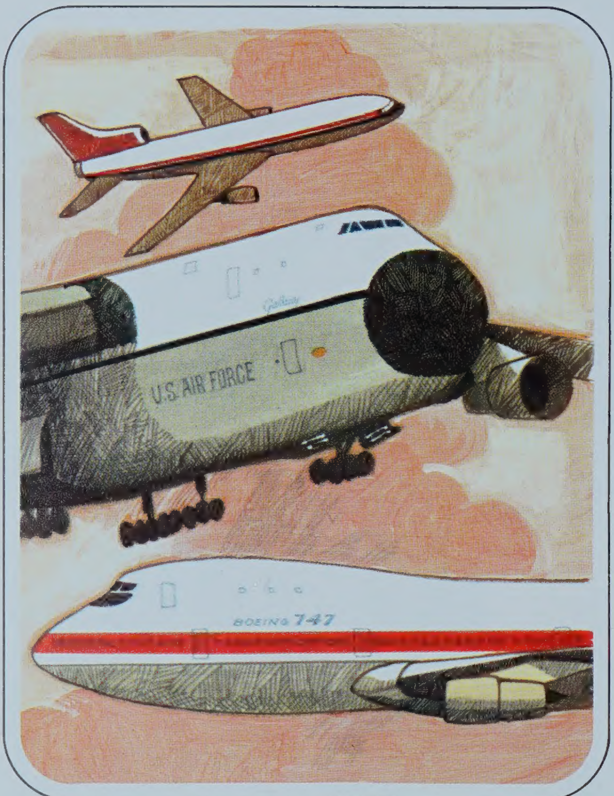
- To the facilities of the Zarkin Machine Co. Inc., of Long Island City—a pioneer in profile milling, acquired in 1967—has been added the capacity of the Comet Tool and Die Company of St. Louis, which became a wholly-owned subsidiary in 1968. Zarkin is preparing to occupy a new plant at Smithtown, N.Y., which, when placed in operation, will increase plant space devoted to profile milling of aerospace components (particularly large airframe structures) to 500,000 square feet.

- New metalworking skills—shot-peening for surface improvement and forming—have been added to our competences by the acquisition of Metal Improvement Company (N.J.) headquartered at Hackensack, N.J., with operating plants in Carlstadt and



In addition to $16,000,000 spent on acquisitions—exclusive of Dorr-Oliver—Curtiss-Wright committed over $50,000,000 in 1967-1968 for expanded plant facilities and advanced state-of-the-art productive equipment.

The New Era of Growth at CURTISS WRIGHT



Virtually all major U.S. airframe and jet engine manufacturers are utilizing the diversified capabilities of Curtiss-Wright to bring new generation commercial and military jumbo jet aircraft on stream.

Jersey City, N.J.; Windsor, Conn.; Addison, Ill.; and Los Angeles and Vernon, Calif. Additional M.I.C. plants are under construction on Long Island, N.Y., and in Toronto, Can.

- Our Buffalo Metals Processing Facility has been expanded to increase production of turbine blades for jet engines for advanced jet aircraft . . . and of extrusions, forgings, precision castings and cast tooling for a variety of aerospace and industrial applications.

- At our Wood-Ridge complex, one of our ancillary plants has been renovated and re-equipped to build nuclear reactor vessels, and our general manufacturing capabilities have been further enhanced by additional numerically-controlled machine tools and other new equipment.

In order to more effectively meet customer needs and to take fuller advantage of new opportunities, the Company's operations have been organized into market centers for specific products and services. Through these centers, agressive marketing campaigns are being conducted with Corporate field office support.

This restructure played an important role in programs which have been responsible for the increased volume of business received in 1968—and the improved prospects for future business for Curtiss-Wright aerospace, nuclear and industrial products.

In the aerospace field, Curtiss-Wright, already deeply involved in components and systems production for new generation aircraft, is now significantly postured to benefit from new and follow-on orders. Performance on aerospace contracts in 1968, involving new process technology, enabled Curtiss-Wright to increase its penetration of the market for aircraft engine components and airframe components.

As new advanced jet aircraft were brought on stream or prepared for future production, your Company's diversified capabilities were called upon by virtually all of the major U.S. airframe and engine manufacturers.

Curtiss-Wright facilities are now producing or preparing to produce major assemblies, subsystems or components for the DC-10, DC-8 and DC-9 jetliners built by McDonnell Douglas; for the 727, 737 and 747 jetliners of Boeing; for the C-5 and L-1011 aircraft of Lockheed . . . for the jet engines with which these advanced aircraft are powered . . . and for other military aircraft and engines.

For example . . .

- In production at Wood-Ridge are landing gear components for the Boeing 747 and the Lockheed C-5 "Galaxy" . . . diffuser cases for the JT8D-7 and -9 jet engines for the Boeing 727, 737 and McDonnell Douglas DC-9 and for the TF30 jet engines for the Ling-Temco-Vought A-7A and other advanced military aircraft . . . spacers for the JT-3 jet engines which power the Boeing 707 and the McDonnell Douglas DC-8 series aircraft. . . . Also, transmission system components for the Boeing Vertol "Chinook" helicopter . . . and turbine discs and nozzles, carrier assemblies and spur gears for the T53-L13 gas turbine engine which powers the Bell UH-1 "Iroquois" and Bell AH-1G "Huey Cobra" helicopters.

Substantial new and follow-on orders were received in 1968 for overhaul of J-57 and J-65 jet engines by the Engine Overhaul Department of the Wood-Ridge Facility. A new contract for overhaul

of J-57 jet engines for the U.S.A.F. was the first of its type for overhaul of power plants not of Curtiss-Wright manufacture.

■ The Caldwell Facility is producing mechanical actuators for the lead edge flap system for the Boeing 747 . . . trailing edge flap actuation systems for the Lockheed L-1011 Tri-Star jetliner . . . gear boxes for the trailing edge flap actuation systems for the Boeing 737 . . . actuation systems for landing gear and landing gear doors of the Lockheed C-5 "Galaxy" . . . additional variable exhaust nozzle control units for the Northrop F5A and T-38 aircraft and steering control servo actuators for the U.S. Navy Condor missile.

■ At Long Island City, N.Y. and St. Louis, Mo., Zarkin Machine Co. Inc. and Comet Tool and Die Company, wholly-owned Curtiss-Wright subsidiaries, are profile milling landing gear components for the Boeing 747 . . . main landing gear cylinders for the McDonnell Douglas Super DC-8 . . . wing ribs, pylon fittings and landing gear door actuation brackets for the Lockheed C-5 "Galaxy" . . . steering collars for the Grumman A6A . . . main fuselage bulkheads, titanium ribs, air-inlet guides and arresting gear for the McDonnell Douglas F-4 . . . titanium wing beams for the North American RA5C "Vigilante" . . . and

Curtiss-Wright profile milling techniques save airframe builders weight and labor costs in fabrication of structural members for commercial and military aircraft.

Superior process technology is earning Curtiss-Wright an increasingly larger share of the market for aerospace propulsion components, assemblies and systems.

similar parts for other advanced military aircraft. Comet also produced aluminum structural components for the Grumman lunar module (LM) for the Apollo 9 space mission.

■ The Buffalo Metals Processing Facility is producing extruded titanium landing gear support beams and extruded steel structural beams for the engine pylons of the Boeing 747 . . . forged and machined blades and vanes for the JT9D power plant of the Boeing 747 . . . titanium fan stator vane platforms for the TF-39 engines of the Lockheed C-5 "Galaxy" . . . large precision cast pylons for other advanced military aircraft . . . and machined jet engine blades, vanes and structural components for the J79 engine which powers the McDonnell Douglas F4B and F4C, the Lockheed F-104 and the General Dynamics B-58.

■ Metal Improvement Company (N.J.) shot-peens wing panels for the Boeing 747 and the McDonnell Douglas DC-10 . . . wing panels and aircraft structurals for the Grumman Gulfstream II and the Lockheed C-5 "Galaxy". . . landing gear components for the Northrop F-5 . . . helicopter hubs, spars, landing gears and transmission parts for all major helicopter manufacturers . . . aluminum structural components for the Grumman lunar module (LM) for the Apollo 9 space mission . . . pressure bottles for the Boeing

The New Era of Growth at CURTISS WRIGHT

The shot-peening and forming expertise of the Metal Improvement Company (N.J.) has added a new dimension to Curtiss-Wright metalworking competence.

1st Stage, Saturn missile . . . transmission gears, crankshafts, connecting rods, torsion bars, and shafts for the transportation and agricultural industries . . . and a variety of parts for stationary turbines and jet aircraft engines.

■ Orders for replacement parts for engines, propellers and other products of Curtiss-Wright proprietary design continued to contribute to shipments and earnings.

Curtiss-Wright aerospace technology opened the door in 1968 to a new opportunity to enlarge the Company's participation in the market for nuclear equipment. At year's end, approximately 20% of the Company's backlog was for nuclear products.

A contract for pressure vessels placed by General Electric with the Wood-Ridge Facility marked the first award to Curtiss-Wright for nuclear power components.

Equipment for the nuclear field is also produced by the Target Rock Corporation subsidiary which specializes in nuclear valves and fittings; by the East Paterson Facility which builds nuclear rod control and instrumentation devices; and by the Buffalo Facility which produces high-precision stainless steel components for nuclear reactors.

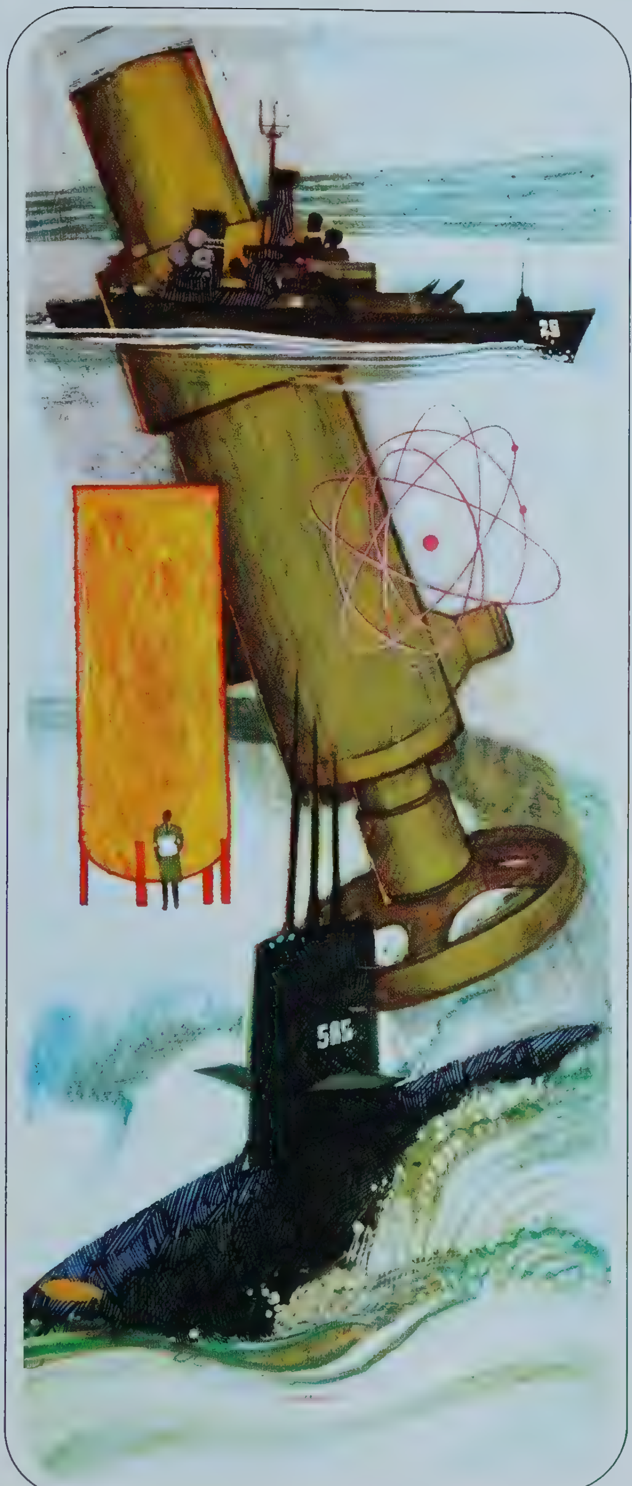
In addition to producing nuclear devices, the East Paterson Facility is engaged in extensive work on advanced electronic equipment for the U.S. Army Electronics Command. Under a two-year contract, East Paterson is constructing a "Tactical Imagery Interpretation Facility (TIIF)," consisting of a mobile, self-supporting unit which provides the viewing, comparison, interpretation and distance measuring of aerial photographic, infrared and radar images to furnish tactical information to Army military intelligence. East Paterson is also participating in the Army "Shelter Mounted Electronic Shop Program," for which it is building mobile field maintenance shops for airborne electronics equipment. Work continued on modifications and spares for simulators.

The Cleveland Facility continued its output of Precisionspring and Electrospring clutches for appliances, marine applications and office equipment. Cleveland also produced textile spindles, windshield wipers for aircraft and marine applications, engine governors, Swench wrenches, fuel pumps and other components for the aerospace and automotive markets.

Our Canadian subsidiary—Canadian Curtiss-Wright, Limited—which publishes a separate annual report for its shareholders, established a significant new basic source of high performance two-stroke engines for snowmobiles and all-terrain vehicles. Shipments of these engines will begin in 1969. Other areas of activity of this subsidiary include compressors, vehicle diagnostic equipment for the automotive market, equipment for service stations and garages and contract design and drafting services for industry. The Subsidiary also acts as sales agent in Canada for Curtiss-Wright products.

Selective research was carried forward at Wood-Ridge in 1968 with the Curtiss-Wright Rotating Combustion (Wankel-type) series of engines to further explore and evaluate the potentials of this power plant type in aircraft and in land and marine vehicles.

A 20-horsepower air-cooled RC engine, produced for Curtiss-Wright by a European manufacturer, is being marketed to snowmobile manufacturers in the U.S. and Canada.



At year's end, orders for nuclear equipment—valves, pressure vessels, extruded structures, rod control and instrumentation devices—represented approximately twenty percent of the Curtiss-Wright backlog.

Substantial investments in realty over a period of years have placed your Company in a good position to benefit from homesite, recreational facility and industrial growth in attractive areas. The most extensive of these holdings is a 250 square mile tract near Reno, Nevada. Other Curtiss-Wright land investments include tracts in New Jersey, New York, New Mexico, and California. All are prime investments which, in most cases, are escalating in value.

Closely allied to these realty investments are Curtiss-Wright operations on Long Island. At Riverhead, L.I., the Levon Properties Corp. (an 80%-owned subsidiary) is constructing a protected deepwater harbor and developing a modern industrial park. Excavation of the inland portion of this harbor is generating an important by-product in the form of commercial quantities of building materials. As building requirements in the metropolitan New York-New Jersey-Connecticut area increase and closer-in supplies of sand and gravel continue to diminish, sale of these building materials is expected to produce additional capital for Levon land development programs. Similar materials will result from land development work by Levon at Montauk, Long Island, where a homesite and recreational area is being planned. To bring the excavated sand and gravel to market, Levon has in operation a fleet of 29 steel barges.

As the Curtiss-Wright organization re-dedicates itself to continued growth, it does so with full realization that the success of its aspirations is dependent on external factors as well as on internal determination. The state of the economy, the requirements of National defense, the ability of the world air transport system to cope with complex problems of carrying more passengers and cargo faster, more economically and for longer distances—all of these can materially affect specific short-term performance.

That Curtiss-Wright has developed greater long-term strengths, there is no doubt. The task ahead is to build imaginatively and effectively on the new foundation for growth that forward-looking plans have established.

Consolidated Statements of Income

for the years ended December 31, 1968 and 1967

CURTISS WRIGHT

	1968	1967
SALES	$200,068,388	$173,709,719
COSTS AND EXPENSES:		
Product and engineering (Note 8)	165,878,012	144,328,209
Selling, service and advertising	7,122,062	5,263,330
Administrative and general (Note 8)	12,132,053	9,388,978
	185,132,127	158,980,517
	14,936,261	14,729,202
OTHER INCOME, NET:		
From rentals and gain on sale of real estate	2,201,038	908,442
From interest, dividends and gain on marketable securities	4,802,758	3,738,855
Other, net	(396,776)	(140,534)
	6,607,020	4,506,763
Income before federal income tax provision	21,543,281	19,235,965
FEDERAL INCOME TAX PROVISION (Note 9)	8,500,000	7,705,000
NET INCOME	$ 13,043,281	$ 11,530,965
Net income per average share outstanding, adjusted for the 25% stock dividend paid January 24, 1969 ($1.82 and $1.56 for 1968 and 1967, respectively, based on actual shares outstanding before stock dividend)	$1.46	$1.25

See notes to financial statements.

Consolidated Statements of Source and Application of Funds

for the years ended December 31, 1968 and 1967 (In thousands of dollars)

CURTISS WRIGHT

	1968	1967
Source of Funds:		
Funds provided from operations:		
Net income	$13,043	$11,531
Depreciation and amortization (Note 10)	6,379	5,235
Income taxes deferred (Note 9)	1,000	154
	20,422	16,920
Long-term debt	18,568	1,343
Federal income taxes recoverable (Note 3)	6,928	423
Settlement of 1953 federal income tax (less $173,000 interest included in net income) (Note 3)	8,625	
	54,543	18,686
Application of Funds:		
Additions to property, plant and equipment, net of retirements	33,526	15,611
Cash dividends paid	7,708	7,713
Treasury stock acquired	6,371	741
Additional investment in Dorr-Oliver, Inc.	15,236	
Increase in other assets (Note 5)	765	850
	63,606	24,915
Decrease in working capital	$ 9,063	$ 6,229

See notes to financial statements.

Consolidated Balance Sheets

CURTISS WRIGHT

Assets:	1968	1967
Cash	$ 4,171,368	$ 1,879,646
Time deposits		4,574,382
Marketable securities, at cost or less (approximates market) (Note 5)	56,541,888	64,025,422
Receivables, including receivables from U.S. Government: 1968, $10,016,943; 1967, $16,606,444	32,257,237	31,989,715
Inventories, at the lower of average cost or market (Note 6)	42,529,705	41,991,687
Federal income taxes recoverable (Note 3)	7,135,818	
Prepaid expenses	1,188,475	589,348
Total current assets	143,824,491	145,050,200
Federal income taxes recoverable (Note 3)	5,659,928	21,420,920
Investments, at cost (Note 5)	25,394,495	10,158,523
Property, plant and equipment, at cost:		
Land	5,126,315	5,007,663
Buildings and improvements	36,722,405	35,863,163
Machinery, equipment and other	96,478,248	65,743,346
	138,326,968	106,614,172
Less, Accumulated depreciation and amortization (Note 10)	74,944,048	70,377,946
	63,382,920	36,236,226
Other assets (Note 5)	6,296,218	5,590,528
	$244,558,052	$218,456,397

See notes to financial statements.

as of December 31, 1968 and 1967

CURTISS WRIGHT

Liabilities:	**1968**	**1967**
Notes payable	$ 9,785,768	
Payables, trade creditors	12,472,950	$ 10,564,449
Accrued expenses	10,928,135	8,461,541
Federal income taxes (Note 3)	7,710,126	14,136,946
Other liabilities	10,960,165	10,857,266
Total current liabilities	51,857,144	44,020,202
Deferred federal income taxes	3,923,360	3,131,360
Long-term debt (Note 4)	19,911,353	1,343,000
Minority interest in subsidiaries	1,130,527	1,190,123
Stockholders' Equity:		
Capital stock, $1 par value (Note 2):		
$4.50 Series A Cumulative Convertible Preferred stock	75,100	75,100
Class A stock	590,045	590,045
Common stock (Notes 1 and 7)	9,420,713	7,795,713
Capital surplus (Note 1)	60,609,145	18,359,145
Retained earnings (Notes 1 and 3)	142,897,218	181,436,960
	213,592,221	208,256,963
Less, Cost of treasury stock (Notes 2 and 7)	45,856,553	39,485,251
	167,735,668	168,771,712
	$244,558,052	$218,456,397

See notes to financial statements.

Consolidated Statements of Retained Earnings

for the years ended December 31, 1968 and 1967

	1968	1967
BALANCE AT BEGINNING OF YEAR:		
As previously reported	$176,053,419	$172,235,264
Settlement of 1953 federal income tax claim (Note 3)	5,383,541	5,383,541
As restated	181,436,960	177,618,805
NET INCOME FOR THE YEAR	13,043,281	11,530,965
	194,480,241	189,149,770
DEDUCT:		
Cash dividends on:		
$4.50 Series A Cumulative Convertible Preferred stock, $4.50 per share in 1968 and $1.875 per share in 1967 (Note 2)	171,225	140,812
Class A stock, $2 per share in each year	1,038,488	1,073,688
Common stock, $.80 per share in each year adjusted for the 25% stock dividend paid January 24, 1969 ($1 per share in each year based on actual shares outstanding before stock dividend)	6,498,310	6,498,310
	7,708,023	7,712,810
	186,772,218	181,436,960
Stock dividend:		
Fair market value of 1,625,000 shares issued in connection with 25% stock dividend paid January 24, 1969 (Note 1)	43,875,000	
BALANCE AT END OF YEAR	$142,897,218	$181,436,960

See notes to financial statements.

Notes to Financial Statements

1. On December 11, 1968, the Company declared a 25% stock dividend on its common stock outstanding, pursuant to which 1,625,000 shares of common stock with a fair market value of $43,875,000 were issued on January 24, 1969, to stockholders of record on January 3, 1969. As a result of the stock dividend, retained earnings were decreased by $43,875,000 and common stock and capital surplus were increased by $1,625,000 and $42,250,000, respectively.

2. Capital stock comprises:

	1968	1967
Preferred shares:		
Authorized	2,000,000	2,000,000
$4.50 Series A shares:		
Issued	75,100	75,100
Less, In treasury	74,100	—
	1,000	75,100
Class A shares:		
Authorized, less called or converted	1,431,343	1,431,343
Issued	590,045	590,045
Less, In treasury	72,300	64,800
	517,745	525,245
Common shares:		
Authorized	10,000,000	10,000,000
Issued at December 31	7,795,713	7,795,713
Issued January 24, 1969, in payment of 25% stock dividend (see Note 1)	1,625,000	
	9,420,713	7,795,713
Less, In treasury	1,295,713	1,295,713
	8,125,000	6,500,000

All of the following information is after giving effect to the 25% common stock dividend (see Note 1).

The preferred stock may be issued in one or more series from time to time with such designations, preferences and rights as adopted by the Board of Directors. The outstanding shares of $4.50 Series A Cumulative Convertible Preferred Stock, approved for issuance by the Board of Directors on July 31, 1967, are callable after September 30, 1972 at $100 per share; convertible at any time into common stock at a conversion price of $26.66 per share (subject to adjustment), each $4.50 Series A share being valued at $100 for this purpose; and preferred as to cumulative dividends of $4.50 per share per annum. The liquidation value of the 1,000 shares outstanding was $100,000, and 3,750 shares of common stock in treasury are reserved for their conversion.

The Class A stock is callable at $40 per share, convertible into 1.25 shares of common stock, and preferred over common stock as to noncumulative dividends not exceeding $2 per share per annum. 737,556 shares of common stock, consisting of 158,269 shares in treasury and the balance unissued, are reserved for conversion of Class A stock.

3. As a result of examinations by the Internal Revenue Service, additional federal income taxes for the years 1948 to 1953 plus interest were assessed and paid in 1960. At December 31, 1968, portions of such assessments recoverable upon final settlement of examinations for the years 1954 through 1960 and related accrued interest are included in current federal income taxes recoverable.

During 1968, the Company received a settlement of $8,797,847 from the Internal Revenue Service for income and excess profits taxes for 1953. The amount received in excess of the amount previously recorded has been treated as a prior period adjustment and has been retroactively reflected in the consolidated balance sheet and statement of retained earnings for 1967. This adjustment had the effect of increasing retained earnings at January 1, 1967 by $5,383,541 and resulted in the following restatement in the 1967 consolidated balance sheet:

	Previously Reported	Adjusted
Federal income tax recoverable	$17,709,180	$21,420,920
Federal income tax payable	15,808,747	14,136,946

At December 31, 1968, noncurrent federal income taxes recoverable comprise deferred tax charges applicable to certain accruals and reserves and amounts recoverable in future years resulting from assessments paid in prior years.

4. As of December 31, 1968, the Corporation entered into a long-term credit agreement with a group of banks under which the Corporation may borrow up to $30,000,000. The agreement provides for repayment of principal in 20 equal consecutive quarterly instalments commencing April 1, 1971, and for interest at a fluctuating rate equal to 1/4% per annum above the prime rate. Among other covenants, the terms of the above agreement require the Corporation to maintain consolidated working capital of at least $35,000,000 and to maintain consolidated net worth of at least $60,000,000 in excess of long-term debt (as defined).

Long-term debt reflected on the consolidated balance sheet comprised the following:

Notes to Financial Statements (Continued)

Short-term notes owed to various banks at December 31, 1968, but subsequently converted to long-term debt under the above-cited agreement	$18,000,000
6% note payable to a bank by a subsidiary; the notes are to be paid in full by February, 1973 with mandatory annual prepayments of $360,000 and additional mandatory prepayments based on volume of products shipped	1,140,000
Notes payable to bank by a subsidiary, due in equal monthly instalments until December, 1972, bearing interest at a fluctuating rate equal to 1/2% per annum above the prime rate	528,353
6% mortgage payable by a subsidiary, due in quarterly instalments of $7,500 from October, 1970 to July, 1972, and $183,000 in October, 1972	243,000
	$19,911,353

5. Investments at December 31, 1968 include $17,927,464 representing the cost of investment in 5,400 shares of voting preferred stock, convertible into common stock on a 2-for-1 basis, and 567,400 shares of common stock of Dorr-Oliver, Inc. This investment represents 47% of the common stock outstanding and 45% of the total voting stock outstanding at December 31, 1968. On February 24, 1969, the Company exercised its rights to acquire 326,911 shares of additional Dorr-Oliver, Inc. common stock for $7,192,042 which increased its ownership to 55% of the common stock outstanding and 54% of the total voting stock outstanding. The consolidated balance sheet at December 31, 1967 reflects a reclassification of the investment in Dorr-Oliver, Inc. of $2,691,471 from marketable securities to investments.

Summary financial data for Dorr-Oliver, Inc. at December 31, 1968 and the year then ended, are as follows:

Current assets		$49,582,907
Property, plant and equipment, net		8,121,935
Other		3,051,586
Total assets		60,756,428
Less:		
Current liabilities	$35,838,459	
Long-term debt	6,009,968	
Other	2,779,987	44,628,414
Stockholders' equity		$16,128,014
Net sales and other revenues		$81,209,283
Loss before extraordinary charges		$ 440,831
Extraordinary charges		2,251,113
Net loss		$ 2,691,944

Investments at December 31, 1968 also include $7,467,031 representing the cost of investment in 241,341 shares of common stock of Lynch Corporation, $4,900,000 principal amount of Lynch's 3 7/8% Convertible Notes, maturing $200,000 annually 1969 to 1975 and $3,500,000 in 1976, convertible at any time prior to maturity into shares of Lynch common stock at a conversion price of $11.00 per share, subject to adjustment, and warrants, exercisable at any time prior to October, 1976 to purchase an additional 500,000 shares at a purchase price of $11.00 per share, subject to adjustment. The consolidated balance sheet at December 31, 1967 reflects a reclassification of the investment in Lynch Corporation of $7,467,051 from other assets to investments.

6. Inventories are net of progress payments from the U.S. Government on uncompleted contracts. The government has a lien on related inventories for these progress payments: 1968, $11,647,741; 1967, $5,390,665.

7. During 1968, the stockholders approved a Restricted Stock Purchase Plan under which 400,000 shares of common stock in treasury are now reserved until December 31, 1977 for sale to selected employees at such percentage of the fair market value of the stock on the date the employee is given a right to purchase, as the Board of Directors may approve. Under the Plan, during a period of restriction shares purchased may not be sold, assigned, transferred or otherwise disposed of except by death. These restrictions cease at a rate to be determined by the Board of Directors. At December 31, 1968, no rights to purchase stock had been granted under this Plan.

Under the Corporation's Qualified Stock Option Plan approved by stockholders in 1965, 136,875 shares of common stock in treasury are reserved for options granted to key employees, including officers, to purchase common stock at $21.30 per share (adjusted to reflect 25% stock dividend). These options were priced at not less than 100% of the fair market value on the date of grant. The options granted to date are exercisable with respect to one-quarter of the shares covered from the date of grant and cumulatively with respect to an additional one-quarter on each anniversary of the date of grant. The options expire five years after the date of grant. At December 31, 1968, no options had been exercised and there were 338,125 shares in treasury reserved for the granting of future options.

8. During 1968, the Corporation restructured its management organization which resulted in classifying Product and Engineering costs and Administrative and General expenses in a manner consistent with those organiza-

tional changes. The 1967 costs and expenses as shown are not comparable to the classifications adopted in 1968, and it is not reasonable and practical to reclassify these costs and expenses on a comparable basis.

9. The Corporation follows the practice of reducing the annual provision for federal income taxes by the entire amount of investment tax credits allowed which was $940,000 in 1968 and $533,000 in 1967. The federal income tax provision includes a deferred tax provision of $1,000,000 and $154,000 in 1968 and 1967, respectively.

10. The Company follows the policy of providing for depreciation and amortization of property, plant and equipment by charges to income on the straight-line year of acquisition, straight-line composite, sum-of-the-years digits or declining-balance methods, based upon the estimated useful lives of the respective properties. Depreciation and amortization charged to costs and expenses amounted to $6,379,000 and $5,235,000 in 1968 and 1967, respectively.

11. The Corporation has pension plans covering its employees and employees of certain of its subsidiaries. Pension expense charged to income in 1968 and 1967 was $3,722,000 and $3,816,000, respectively, and included in both years the amortization of estimated prior service cost over a period of 30 years. These amounts were funded in the respective years in which they were charged. At January 1, 1968, the actuarially computed value of vested benefits exceeded the pension trust fund of one of the plans by approximately $19,350,000 but was less than the trust fund of the other plan. While the Corporation has certain obligations regarding the funding of actuarial liabilities under the plans, the plans provide that benefit payments are an obligation of the pension trust funds, and not of the Corporation.

Auditors' Report:

LYBRAND, ROSS BROS. & MONTGOMERY

Certified Public Accountants

To the Stockholders, Curtiss-Wright Corporation:

We have examined the consolidated balance sheet of CURTISS-WRIGHT CORPORATION and SUBSIDIARIES as of December 31, 1968 and the related statements of income, retained earnings, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It is not the general practice of the United States Government to confirm accounts receivable; in the absence of such confirmation, we satisfied ourselves by means of other audit procedures. We previously examined and reported upon the Corporation's consolidated financial statements for the year 1967, which have been restated as described in Notes 3 and 5.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Curtiss-Wright Corporation and Subsidiaries at December 31, 1968 and 1967, and the results of their operations and source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery

New York, N. Y., February 5, 1969, except as to Note 5 as to which the date is February 26, 1969.

Five Year Summary:

In Thousands of Dollars—as Published in Previous Annual Reports

Performance:	**1968**	**1967**	**1966**	**1965**	**1964**
Net Sales	$200,068	$173,710	$144,114	$148,329	$157,335
Income before federal taxes on income	$ 21,543	$ 19,236	$ 12,914	$ 11,417	$ 12,914
Federal income taxes	$ 8,500	$ 7,705	$ 4,230	$ 3,425	$ 4,000
Net income	$ 13,043	$ 11,531	$ 8,684	$ 7,992	$ 8,914
Special non-recurring credits to income			$ 716	$ 783	
Net income and special credits	$ 13,043	$ 11,531	$ 9,400	$ 8,775	$ 8,914
Net income per share*	$ 1.82	$ 1.56	$ 1.16	$ 0.91	$ 1.01
Special credit per share*			$ 0.11	$ 0.10	
Net income and special credits per share*	$ 1.82	$ 1.56	$ 1.27	$ 1.01	$ 1.01
Net income and special credits per share restated**	$ 1.46	$ 1.25	$ 1.02	$ 0.81	$ 0.81
New Orders received from our customers during the year	$215,605	$206,146	$172,263	$146,705	$149,993
Unshipped customers' orders on hand at year-end	$179,995	$164,458	$132,022	$103,873	$105,497

Year-End Financial Position:

Current assets	$143,824	$147,742	$159,659	$144,623	$194,366
Current liabilities	$ 51,857	$ 45,692	$ 52,818	$ 35,651	$ 49,651
Current assets in excess of current liabilities	$ 91,967	$102,050	$106,841	$108,972	$144,715
Shares of stock held by stockholders at December 31					
$4.50 series A cumulative convertible preferred	1,000	75,100			
Class A	517,745	525,245	546,145	586,265	590,065
Common	6,500,000	6,500,000	6,500,000	7,506,670	7,683,244
Stock dividend, January, 1969 (shares)	1,625,000				

Financial Ratios and Other Data:

Percentage return on stockholders' equity	7.8%	7.1%	5.9%	4.6%	4.5%
Dividends per share paid to common stockholders before stock dividend	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Dividends per share paid to common stockholders after stock dividend	$ 0.80	$ 0.80	$ 0.80	$ 0.80	$ 0.80
Earnings after dividend for future growth	$ 5,335	$ 3,818	$ 1,763	$ (14)	$ 52
Ratio of current assets to current liabilities	2.8 to 1	3.2 to 1	3.0 to 1	4.1 to 1	3.9 to 1
Depreciation on plant and equipment	$ 6,379	$ 5,235	$ 4,650	$ 4,759	$ 5,949
Amount approved for new plant and equipment	$ 23,755	$ 26,893	$ 9,436	$ 7,033	$ 3,045
Salaries and wages paid to our employees	$ 82,975	$ 70,346	$ 67,376	$ 65,257	$ 66,742
Number of employees	9,356	8,547	7,514	7,940	8,214

**Before Restatement for 25% Stock Dividend.*
***Restated for 25% Stock Dividend.*

CURTISS WRIGHT
CORPORATION

Corporate Offices: One Passaic Street, Wood-Ridge, New Jersey 07075

Officers:

T. ROLAND BERNER, *Chairman and President*

S. D. BRINSFIELD, *Executive Vice President*

JOHN B. MORRIS, *Senior Vice President*

SEYMOUR S. BITTERMAN, *Senior Vice President*

ARNOLD F. KOSSAR, *Vice President*

JOHN C. MOONEY, JR., *Vice President*

CARL S. SHERMAN, *Vice President*

FRANCIS E. FALLON, *Secretary*

MARTIN A. SHERRY, *Treasurer*

HERBERT C. GIESLER, *Controller*

DAVID LASKY, *General Counsel*

Board of Directors:

T. ROLAND BERNER
Chairman and President, Curtiss-Wright Corporation

JOHN S. BULL
President, Moran Towing & Transportation Co., Inc.

F. THATCHER LANE
Director of various corporations

EDWARD McSWEENEY
Partner, Edward McSweeney Associates

JOHN B. MORRIS
Senior Vice President, Curtiss-Wright Corporation

DONALD C. POWER
Chairman of the Board,
General Telephone and Electronics Corporation

LLOYD H. SMITH
Oil and Gas Producer

DR. JESSE WERNER
Chairman of the Board and President,
GAF Corporation

EDWARD E. WHITE
President, Spencer, White & Prentis, Inc.

TRANSFER AGENTS:

Class A Stock
Chemical Bank,
20 Pine Street, New York, N. Y. 10015

Common Stock
First National City Bank,
55 Wall Street, New York, N. Y. 10015

Class A and Common Stock
Commercial Trust Company of New Jersey,
15 Exchange Place, Jersey City, N. J. 07302

REGISTRARS:

Class A Stock
Manufacturers Hanover Trust Company,
40 Wall Street, New York, N. Y. 10015

Common Stock
Bankers Trust Company,
16 Wall Street, New York, N. Y. 10015

STOCK EXCHANGE LISTINGS:

Common Stock
New York Stock Exchange (Symbol: CW)

Class A Stock
New York Stock Exchange (Symbol: CW A)

■

REGIONAL MARKETING OFFICES:

Washington, D.C. • Dayton, Ohio
Orlando, Florida • Dallas, Texas
Los Angeles, California • Seattle, Washington

FACILITIES LOCATED IN:

Caldwell, Carlstadt, East Paterson, Hackensack, Jersey City, and Wood-Ridge, New Jersey

Buffalo, Hempstead, Long Island City, Montauk, Riverhead and Smithtown, New York

Windsor, Connecticut

Cleveland, Ohio

Addison, Illinois

St. Louis, Missouri

Los Angeles and Vernon, California

Toronto, Canada

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CORPORATION
Wood-Ridge, New Jersey

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